Managing a Family Budget

Condensed from a seminar by

Lionel Hartley

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Lionel Hartley, PhD

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by Lionel Hartley, PhD
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– Lionel Hartley, author

The rationale for budgeting

A budget cannot make an inadequate income adequate.

The purpose of a budget is to tell your moneywhere to go rather than asking it where it went.

Planning a budget enables you to answer the following questions:

1. Do I want to take control of my life, including my money?
2. Am I ready to accept personal responsibility for my circumstances now and in the future?
3. Am I prepared to control my spending or will I let my spending control me?

Having a budget enables you to answer the following questions:

1. What sort of health are my financial affairs in?
2. Do I have a positive or negative cash flow?
3. What is my net fiscal worth?

Keeping to a budget enables you to answer the following questions:

1. Where will my money go?
2. Can my income rise without my expenditure rising to meet it?
3. How much can I afford to borrow or to save?

Having no budget or plan enables you to answer the following questions:

1.
2.
3.

Budgeting involves

1. Planning in advance.

2. Sticking to the plan

3. Short-circuiting blow-out by initiating cost saving measures.

How to prepare your budget

The success of a family budget depends largely on five things:

1. The care and accuracy in the preparation of your initial budget (REALITY)

2. The progressive updating of the budget as income increases or semi-permanent expenditure variations occur (Revision)

3. The inclusion of insurance and savings (Safeguards)

4. Active support by each member of the family (Co-operation)

5. Rigid adherence to the constraints of the budget (Self-discipline

The three R's of planning a family budget are:

1. **Re**alistic planning

2. **R**ecording

In addition to knowing what you spend, to establish your financial situation you will need to know the following:

a) Income

b) Expenses.

c) Assets

d) Superannuation

e) Insurance

f) Investments

g) Other assets such as the value of the house, the value of the car, the value of any collections such as artworks, coins, stamps, antiques and the like. *Personal items, such as furniture or jewellery, are not included.*

h) Loan details

i) Credit cards

j) Hire purchase agreements

k) And finally, other debts

3. **R**evision *It's not a real budget if you can't budge it!*

Sample budgets

Your income, the area you live in, and the choices you make in the way you live will greatly impact the reality of these figures to your situation. Therefore I suggest that you ignore my actual figures and concentrate more on the form.

Young single person with no dependants

Gross wages	$	$180.00
Employer's deductions		
Taxation	24.70	24.70
Net wages		155.30
Tithe or donations to charity	18.00	
Board & residence	45.60	
Entertainment	15.00	
Fares, etc.	8.00	
Insurance	1.60	
Clothing	7.50	
Sundries	7.50	
Savings bank #1	10.00	
Savings bank #2	42.10	155.30

Husband and wife with no dependants, one income

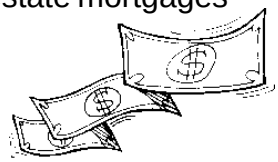
Gross wages	$	$420.00
Employer's deductions		
Taxation	49.90	49.90
Net wages		370.10
Tithe or donations to charity	42.00	
Rent	82.60	
Food	54.00	
Clothing	16.00	
Electricity, phone, gas	6.00	
Insurance	1.50	
Fares	24.00	
Car loan repayments	46.00	
Hire purchase (furnishings, etc.)	16.00	
Car running expenses	10.00	
Car registration and insurance, etc.	6.00	
Sundries	10.00	
Savings bank	56.00	370.10

How to calculate your net worth

A net worth statement tells you what you have.

Assets	**Value**
· Bank, Building Society and Credit Union cheque and savings accounts	$ _____
· Bonds / IOUs	$ _____
· Business or farm	$ _____
· Hidden assets, such as stock options	$ _____
· Home-furniture and household equipment (Don't forget such things as collections, hobby equipment and tools, a library of books, videos or CD's, or a wine selection, etc.)	$ _____
· Land and real estate	$ _____
· Money market funds, cash deposits	$ _____
· Possible inheritance	$ _____
· Shares	$ _____
· Superannuation and life insurance policies	$ _____
Total A	**$** _____

Liabilities	
· Business loans	$ _____
· Car/computer/holiday loan	$ _____
· Credit card debt	$ _____
· Hire Purchase debt	$ _____
· Margin debt on stock brokerage accounts	$ _____
· Outstanding taxes	$ _____
· Personal loans, home equity loans	$ _____
· Real estate mortgages	$ _____
Total B	**$** _____



Difference between Total A and Total B **$** _____

What you should know about income & expenses

A cash flow statement tells you what comes in and where it goes.
In order to have a positive effect on your budget, you need to:

1. Take responibilty for your financial decisions.

2. Take control of your spending habits.

3. Take positive action to reduce the amount of budgeted expenses, where possible.

4. Seek counselling from a financial adviser, if necessary.

What records to keep, and where

Keep the following information on a single sheet of paper

- Bank account and Brokerage account numbers.
- Credit card numbers.
- Tax file numbers.

Keep the following in a special drawer

- Bank statements.
- Brokerage account statements.
  (Possibly the monthly statements for the current year and the yearly statements for the past seven years.)
- Insurance policies: Homeowners, Car, Life insurance.
- Tax returns for the last seven years.

Keep the following in a safety deposit box with your solicitor or at your bank or in a fireproof safe at home

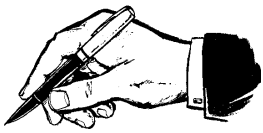
- Car registration.
- Divorce papers.
- lOUs.
- Leases.
- Marriage licence.
- Share certificates.
- Title deeds to the house or unit.
- Wills.

Keep the following information in a notebook or on a computer floppy disk for easy access.

- ABN & tax file numbers *(Use code as advised in seminar)*
- Association membership numbers and membership expiry dates
- Banking details - account numbers etc *but not PIN numbers!*
- Blood groups, when 10-yearly tetanus shot are due, and allergies of each family member
- Computer Software passwords and access codes
- Details of properties, mortgages & rates information
- Drivers Licence numbers and expiry dates
- Email account passwords.
- Fly Buy A/c number/ other important account numbers
- Insurance Policies - reference numbers and expiry dates
- Internet passwords and File Transfer Protocol (FTP) codes
- Library Card numbers and expiry dates - public library, video library, College, Uni or TAFE library, etc.
- Marriage Certificate number, date, place of filing of registration
- Medicare numbers and the order each name appears on card
- Mobile Phone details, Serial numbers of expensive equipment
- Motor Vehicle information/insurance/road service Association
- Passport numbers and expiry dates, Citizenship certificate numbers, dates and where important papers are stored
- Pension, Health Care Card, & other relevant numbers

Borrowing money

Personal loan checklist:



– What is the interest rate?
– How long will it take to pay the loan off?
– What will be the total cost of the loan?
– Can I afford the weekly repayments?
– If I get a wage rise can I pay the loan off faster
– Are there any penalties if I fall behind with my repayments?
– Do I really need this item?

(Paul Clitheroe and Chris Walker, *Money Making*, Viking (Penguin Books Aust), Victoria, 1995 p40)

Ways to save money

1. Have a plan to take control of your money (your budget)

2. Save little, save often, but don't plan to save cash

Billy rose, in the Readers Digest of January 1969 said something which still has an element of truth in it. He said, "Never invest your money in anything which eats or needs repainting."

3. Avoid punting and silly risks (Ducks lay eggs; Geese lay wagers

A Gambler's Lament:
" Invest $1 and lose 50%. You now have 50 cents.
Invest 50 cents and earn 50%. You now have 75 cents.
Try it the other way around
Invest $1 and earn 50%. You now have $1.50.
Invest $1.50 and lose 50%. You still have 75 cents!"
"Two equal returns see you losing money."

“Your chances of winning Lotto (are) around 7,059,052 to 1.”
(Paul Clitheroe and Chris Walker, *Money Making,*
Viking (Penguin Books Australia), Victoria, 1995 p11)

When it comes to investing in shares, "If it looks too good to be true, it is!". Seek professional advice!

4. Spend and borrow appropriately -
   - Plan to own a home debt free
   - And don't try to keep up with the Joneses

Here is a definition I would like you to remember. Keeping up with the Joneses is the act of forfeiting the things that we want to waste the time we that can't afford to buy the things that we don't need with the money that we don't have to impress the people that we don't like. (Lionel Hartley, ©1984)

   - Beware of the pitfalls of credit cards

5. Minimise taxes by:
   - keeping accurate records
   - Researching how and where you can save
   - And by being scrupulously honest this year to avoid penalties the next.

6. Protect your assets by:
   - Insuring appropriately
   - Protecting your assets from thieves, moths and rust
   - And by having an up-to-date will.

7. Obtain and act on advice if you need it - we have mentioned this earlier.

8. Give systematically to others (I)

For the Christian, this involves putting God first. An arresting interchange takes place between God and His people is recorded in Malachi 3:8-11 *"Will a man rob God? Yet ye have robbed me. But ye say, Wherein have we robbed thee? In tithes and offerings. / Ye are cursed with a curse: for ye have robbed me, even this whole nation. / Bring ye all the tithes into the storehouse, that there may be meat in mine house, and prove me now herewith, saith the LORD of hosts, if I will not open you the windows of heaven, and pour you out a blessing, that there shall not be room enough to receive it. / And I will rebuke the devourer for your sakes, and he shall not destroy the fruits of your ground; neither shall your vine cast her fruit before the time in the field, saith the LORD of hosts."*

Jesus told 33 parables and more than half of these, 19 in fact, were against the love of money and worldly treasures.

Mahatma Ghandi once wrote that there are seven sins in the world. They are wealth without work, pleasure without conscience, knowledge without character, commerce without morality, science without humanity, politics without principle, and worship without sacrifice.

9. Give systematically to others (II)

I would venture to suggest that we are judged not by what we give away but by what we keep, because giving is the thermometer of love. And we can give to our God also through our giving to others. When we systematically reach out and give to others when a return is not expected it is an investment which pays a return unexpectedly.

10. Save using non-fiscal budget behaviours

- recycling
- Join a barter co-operative or simply advertise, as we did, "Wanted to swap, fibreglass canoe for small dingy", or as I read in the paper once, "wanted to swap, one double bed for two single beds and one pram"
- Use elbow grease - Hang clothes to dry rather than using an electric dryer when practical, wash dishes by hand (I enjoy the company when my wife and I do it together), using hand tools builds healthy bodies and saves electricity.
- Maintain equipment in good repair
  - clean the clothes dryer filter after each use,
  - oil your sewing machine regularly,
  - check car oil, water & tyres as well as topping up the fuel,
  - run a cleaning tape through your video recorder and cassette tape deck occasionally to remove the build-up of tape particles and dust.
  - And empty the vacuum cleaner often.
- Share the chores - use a roster if practical. The less fatigued you are, the more rational your spending and also the less likely you will be to want to rush out and buy junk food rather than prepare a family meal.
- Conserve energy resources - water, electricity, oil & gas, with particular attention to home heating, cooking, and food storage. Your local council, water board, and electricity suppliers can supply you with free brochures to help in these areas.

Check out **www.lrhartley.com/moneysavers** for more budget tips.

Wise shopping

Always take a list when you go shopping and stick to it. A suggested guide is on the next two pages. If you take children when you're doing the food shopping you may pacify them through extra spending.

If you are able to carry it home, shop once a fortnight instead of once a week and buy in larger quantities because the less you go into a supermarket, the less often you are likely to be tempted.

Never shop when you're hungry or having the cravings of depression, pregnancy or PMS.

Taking a cut lunch to work will save money and may be healthier.

Buy less disposable items by using cloth handkerchiefs and serviettes for yourself and fabric nappies for baby instead of the paper substitutes.

If you can avoid travelling out of your way, check the specials list each week in the paper and buy up when something is reduced in price.

Perishables are usually available at cheaper prices at the end of the day or week. The same goes for end-of-season lines - but be sure to check for expiry dates as it's not a bargain if it's out of date by the time you want to use it. If you can store them or freeze perishables, buy when you hear there is something that might force a price increase, such as drought, bad weather, or a freight rate increase.

Buying home (generic) brand products and loose fruit and vegetables and meat rather than pre-packaged can be a saving.

Hunt for bargains at flea markets, trash and treasure, and car boot sales, but be careful of auctions unless you are very disciplined. To save money on books, records, and videos check out your local public library and borrow instead of buying.

Avoid using your credit card for groceries, rent, or anything else you won't have in hand in a month's time when the credit card account comes.

How do we calculate income?

1. Salary/wages/pensions
2. Bonuses
3. Dividends
4. Partnership Interest
5. Rental Income
6. Savings Account interest
7. Child support - Child Endowment, maintenance

Shopper's Budget Aid

Note: As the author is vegetarian, meat has not been included.
The items are in the order of the aisles in his usual place of shopping.
You can modify your list to suit your own needs.

Banking

Change for Church offerings & donations
Change for parking meters/ bridge toll
Other _____

Dairy

Butter/ Margarine
Milk - powdered/ evaporated/ condensed
Cream- fresh/ thickened
Cheese - block/ sliced/ grated
Copha/ vegetable fat
Yoghurt - plain/ flavoured
Eggs/ refrigerated sandwich spreads
Cheese - Philadelphia/ cottage/ cream
Other _____

Hardware

Batteries - size AAA/ AA/C/D/Calc.
Batteries - Watch/ Camera/ automotive
Torch bulbs [size____/ auto fuses
Light globes- 240v/ auto fluro
Other _____

Baking

Bread-plain/ Lebanese/ w/meal/ buns/ fruit-loaf
Flour-plain/ w/meal/ Self-raising/ bread-mix
Mixed nuts/ nuts for garnishing
Cooking oil/ Olive oil/ Sauces
Cake(s)/ Cake mix
Coconut - desiccated
Carob/ cocoa powder
Yeast - active/ torula
Sago (Tapioca)
Crumbs - bread/ Cornflake/ stuffing
Other condiments
Sultanas/ currants/ raisins/ Cake fruit mix
Sugar - brown/ white/ caster/ piping/ icing
Spice/ cinnamon/ herbs/ other
Salt - common/ iodised/ garlic/ onion/ celery
Baking soda/ baking powder
Biscuits plain/ fancy/ cream/ cracker
Other _____

Packet foods

Macaroni/ vermicelli/ spaghetti
Lentils/ split peas/ pearl barley
Soup mix/ instant soup powder
Rice/ Gravy mix
Other _____

Tinned foods

Nutmeat/ Nutolene/ Vegelinks
Spaghetti/ baked beans/ creamed corn
Pineapple -pieces/ slices/ crushed
Beetroot/ other tinned vegies
Tinned fruit (E.g. Peaches, pears, fruit salad)
Tinned soup/ sauces
Other _____

Frozen Foods

Mixed vegetables
Peas/ beans/ butter beans
Broccoli/ spinach
Corn - cobs/ kernels
Carrots - rings/ baby carrots
Pastry - Short / flaky/ filo
Savouries (Eg Bubble & Squeak)
Potato chips/ Ice blocks
Ice cream/ frozen yoghurt
Other _____

Table spreads

Jam/ marmalade/ honey
Marmite/ Peanut Butter

Cereals

Rolled Oats/ müesli Flaked wheat/ Cornflakes/ Rice Bubbles
Weetbix/ granose
Other _____

Green-grocery

Potatoes/ sweet potatoes
Beans/ peas/ Lettuce/ cabbage
Broccoli/ Carrots/ parsnips/turnips
Onions - spring/ white/ brown

Spinach/ silver beet
Beetroot/ Sweet corn
Tomatoes/ Bean sprouts
Pumpkin/ gramma/ butternut
Oranges/ grapefruit/ lemons/ limes
Apples/ pears/ stone fruit/ grapes
Bananas
Other _____

Medicinal/pharmacy

Vitamin/s _____
Cough mix_____
Throat lozenges
Paracetemol/ aspirin
Prescriptions _____
Band-Aid strips
Antiseptic cream
Contraceptives/ personal lubricants
Other _____

Drinks

Sparkling fruit/ grape Juice
Fresh fruit/ grape Juice
Carton Drinks
Individual packet drinks
Instant hot drink powders
Party drinks
Other _____

Laundry Etc.

Laundry detergent
Preen Pre-wash spray
Laundry soap/ Ajax
Anti-bacterial solution
Disinfectant
Steelo pads/ scourers
Cleaner & wax for car
Oven cleaner/ Bleach/ ammonia
Carpet shampoo
Soap flakes
Tissues/ Toilet paper/ paper towels
Toilet bowl deodorisers
Dishwashing detergent
Cleaning cloths
Fly spray - air/ surface/ personal
Toilet cleaner
Furniture polish
Air freshener
Other _____

Toiletries

Bath/ Epsom salts
Shampoo - family/ baby
Hair conditioner
Toothpaste/ toothbrushes/ floss/
Razor blades/ shaving cream
Talcum powder - scented/ plain/ baby
Sun cream/ moisturiser
Baby oil/ cream
Deodorant spray/ roll-on/ After-shave
Sanitary wear Med/ Super
Disposable nappies/ baby needs
Other _____

Party lines

Present(s)/ party gifts/ Card(s)
Fancy Biscuits/ cake/ candles
Icing sugar/copha/ cake decorations
Instant puddings/ custard powder
Carob sweets/ ice cream
Mixed nuts & fruit/ dried fruit
Potato crisps
Party fruit drinks
Other _____

Stationery

Church/ School lesson pamphlet(s)
Postage stamps/ School stationery
Writing paper- airmail/ plain/ typing
Adhesives _____
Lunch-wrap Plastic/ Greaseproof/ wax
Computer disks/ printer ink/ paper
Envelopes - airmail/ plain/ A4/ DL
Biros/ pencils/ rubbers/ rulers
Staples/ paper clips/ colour pencils
Wrapping paper - brown/ gift-wrap
Other _____

Miscellany

Presents-birthday/ X-mas/ anniversary
Auto - petrol/ oil/ brake fluid
Matches/ candles/
Kitchen oil-cooking/ olive/ paraffin
Sewing-needles/ pins/ cotton/ zips
Sewing-fabric/ Velcro/ buttons
Knitting wool/ needles/ patterns
Machine sewing- oil/ needles/ thread
Sewing-patterns
Other _____

Budget Planner

Type of Expense	An Estimate of How Much You Spend												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
HOUSING													
Rent / Mortgage payment													
Council Rates													
Water Rates													
Electricity / Gas / Oil													
Telephone													
Maintenance & Repairs													
Major electrical Appliances													
Furniture													
Insurance													
PERSONAL													
Clothing & Shoes													
Hair Care & Cosmetics													
Loan / Credit Card Repayments													
CHILDREN													
School Fees													
Clothing													
Activities & Other													
FOOD													
Groceries													
Restaurant / Fast Food													
TRANSPORT													
Car Registration													
Car Insurance													
Car Running costs													
Public Transport													
FINANCIAL SECURITY													
Investments													
Superannuation													
Life Insurance													
Medical Fund													
ENTERTAINMENT													
Sport & Fitness													
Hobbies													
Concerts													
Holidays													
Music & Books													
MISCELLANEOUS													
Gifts & Donations													
Tithes & Offerings													
Child Support													
Other													
Total Monthly Expenses													
Total Annual Expenses													

INCOME
Work _____
Other _____
TOTAL _____

Total Annual Income _____
Less Total Annual Expenses _____
YOUR ANNUAL PROFIT OR LOSS $ _____

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Managing a
Family
Budget